



Strikes and bipartite committees in Vietnam

Evidence from Better Work

RESEARCH
BRIEF

KEY FINDINGS

Functioning bipartite committees decrease strike rates

Bipartite committees must have freely elected members and equal representation of women to be effective

The frequency of strikes decreases the longer a factory participates in Better Work



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Better Work Vietnam was established in 2009 to improve working conditions and competitiveness in the country's garment sector. One of the principal strategies used to achieve these goals is to develop enterprise-level bipartite worker-management committees – Performance Improvement Consultative Committees (PICCs) – to encourage dialogue and joint problem solving. This research brief summarizes the findings from an independent research project that explored the causes and outcomes of recent strike activity in Vietnam, and asked whether improved communication through the PICC dialogue mechanism reduces the incidence of such events.

The research finds that worker-management committees such as PICCs may contribute to lower strike rates if they maintain a certain level of quality as a dialogue mechanism. They have the most potential to prevent strikes when combined with other well-functioning employment relations institutions.

In order for PICCs (and similar bipartite mechanisms) to fulfil this potential, the researcher identifies four interrelated factors that must be present. Workers participating in the committee must be: 1) freely elected, 2) able to carry out their representative function, 3) protected from retaliation, and 4) empowered to advocate for their positions. The study finds considerable variation in these factors – and overall quality – among PICCs studied, and also notes that all have room for improvement.

The study also concludes that well-functioning PICCs alone are not sufficient to reduce strike rates, arguing that only with independent and fully representative unions, which elect their leaders and engage in proper collective bargaining processes, can the root causes of industrial unrest be fully and sustainably addressed.

Background

The garment sector in Vietnam has grown in the last two decades to become one of country's largest industries. In 2015, the industry generated exports of more than \$28 billion and provided jobs for 2.5 million people. Most of these workers are young women who migrate from rural areas for garment sector jobs, and through their earnings they in turn support millions of family members. The industry has thus become an important driver of poverty reduction and socio-economic development in Vietnam.

The past decade of growth in the industry has also brought challenges. Industrial disputes in the form of worker strikes are symptomatic of discontent both

with working conditions and underdeveloped industrial relations in the sector and broader economic factors such as the rising cost of living in key urban centres.

Wildcat strikes, or strikes unauthorized by union leadership, grew in frequency throughout the 2000s, peaking at record levels in 2011 (see figure 1). The number of strikes correlated closely with the inflation rate in Vietnam: as prices for everyday goods rose and workers felt the squeeze in their purchasing power, greater numbers turned to industrial action as an outlet and voice for their frustration and a means to extract concessions from their employers.

STRIKES AND INFLATION IN VIETNAM



Throughout this period of both industry growth and unrest, the ILO and IFC established the Better Work Vietnam programme with the objectives of improving working conditions and enhancing business competitiveness in the garment and footwear sector.

One of the principal ways Better Work contributes to these goals is by establishing bipartite worker-manager committees at the factory level, known within the programme as Performance Improvement Consultative Committees. The PICCs bring together an equal number of worker and manager representatives to establish social dialogue within the factory and to address non-compliance issues (identified in Better Work factory assessments, amongst other things) through consensus and joint making. Essentially all factories enrolled in BWV have a union presence and PICC, and the vast majority of factories include a trade union official as a member of the PICC. In cases where the same trade union official is also part of the management team, however, Better Work discourages his or her participation in the PICC. In all factories, Better Work encourages free elections of workers to the committees.

Since their establishment, PICCs have shown promise in providing a mechanism through which factories can

identify and implement improvement activities, and in so doing support Better Work in driving up standards and compliance across the industry. Anecdotal evidence suggests that despite initial reluctance to the joint these committees, factory managers often grow to recognize the value of the PICC platform, with many citing positive spillovers in the form of more constructive working relationships, increased productivity and even fewer disputes and strikes.

Additionally, the Better Work PICC model has proven influential in national policymaking, having been used by the Government to inform the revised 2012 Labour Code, which for the first time enshrined compulsory dialogue provisions in law.

The research summarized here aimed to dig deeper into whether dialogue mechanisms such as the PICC function effectively enough to address worker concerns that would otherwise lead to strikes.

Following this line of inquiry using firm-level data collected by Better Work presents a unique opportunity to learn more about these dynamics. The research results and offer insights and recommendations on how PICCs can support effective and harmonious industrial relations in the future.

Data and Research Approach

A required component of Better Work since its inception in Vietnam, PICCs were introduced some four years before the revised national labour law required any such dialogue mechanism in Vietnamese workplaces. In this regard, Better Work factories have become a test case for the successes and challenges of bipartite dialogue in the Vietnamese manufacturing context.

Better Work Enterprise Advisors (EAs), who carry out compliance assessments, advise factories on improve-

ments, and help facilitate the establishment of PICCs, collect detailed information in all factory visits that are used to monitor progress throughout a factory's improvement cycle (factories enroll in the programme in 1 year cycles).

This research is based on review and analysis of Better Work assessment report data and progress reports, together with survey results gathered from Better Work staff and advisors during a two month field visit to the country in March and April 2014.

Findings

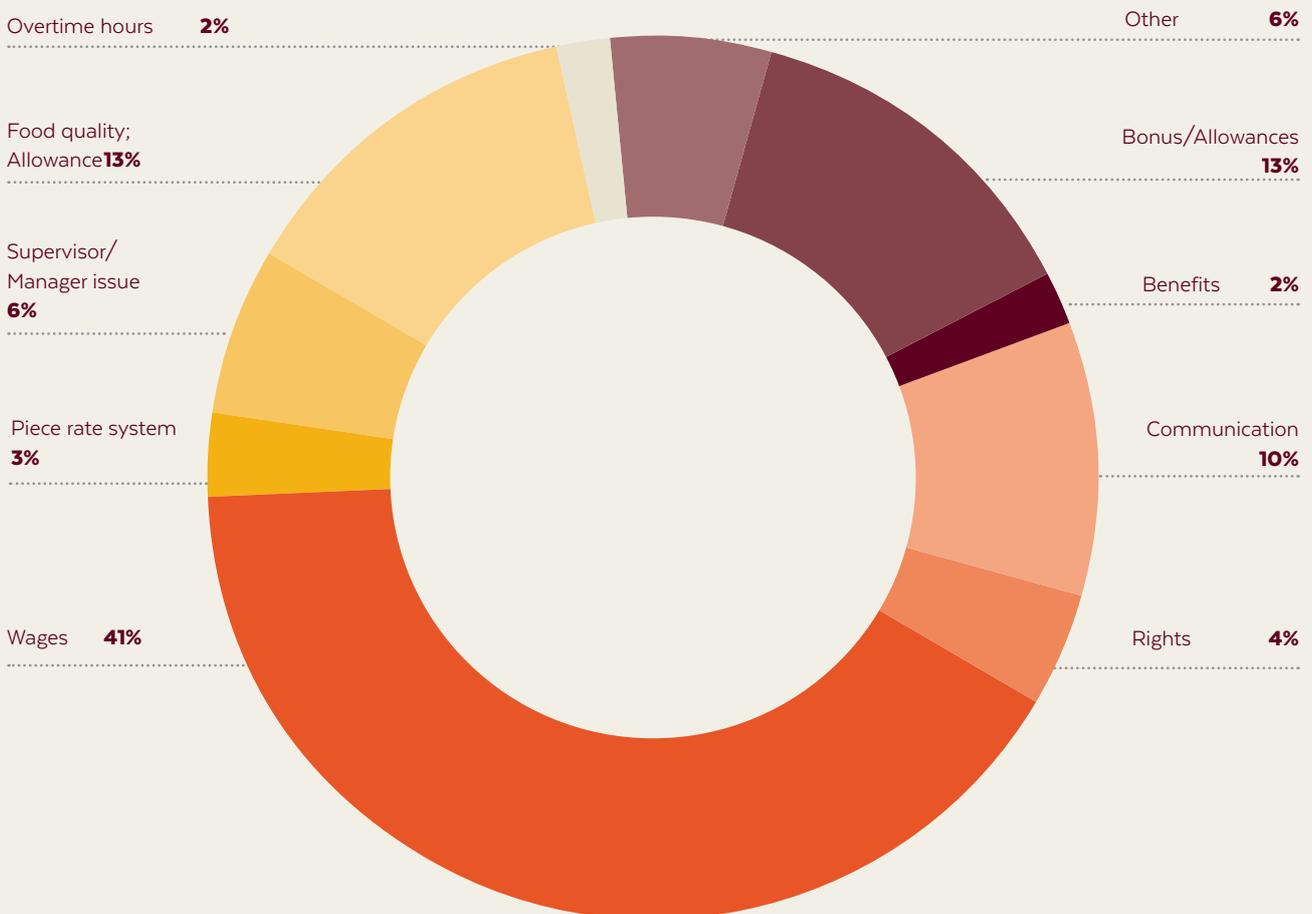
Analyzing available data provides useful insights about the dynamics of strikes in Better Work Vietnam factories from 2010–2013, and their interplay with PICC presence and quality.

PREVALENCE AND CAUSES OF STRIKES

Better Work assessment reports indicate 32% (70 of 218) of factories in the sample experienced strike

activity in the study period. A total of 97 strikes were recorded.

The vast majority of strikes are classified as interest-based, rather than rights-based issues covered by Vietnamese labour law and/or ILO Conventions (see figure 2). That is, most strikes occur over issues that go above and beyond compliance with national law, such as seeking wages that exceed minimum legal requirements.



Source: Author's coding of factory assessment reports

Better Work data indicate the outcome of these strikes, and the findings uncovered are instructive. In almost all cases (95%), striking workers were able to attain some form of benefit or gain from their action: 32% of strikes led to improved wages, 21% resulted in better benefits or allowances, 13% resulted in better quality food, and 6% led to some action to address conflict with a supervisor. Recent strikes have been effective in extracting additional benefits for workers beyond the law, and outside of regular channels of dialogue and negotiation.

At the same time, PICCs are established to address predominantly rights-based compliance violations identified in the Better Work assessment, bringing workers and managers together to work on an improvement plan that promotes basic legal compliance, together with wider systemic improvements to prevent backsliding and improve overall workplace conditions.

Moreover, through work of EAs in facilitating PICC operations, Better Work creates an important space for dialogue to begin and grow, creating potential for other spillover effects. Specifically, as workers and managers work through the bipartite committee to improve compliance, they also develop tools and techniques for cooperation, dialogue and grievance handling that can be applied when addressing interest-based concerns which have more potential to result in worker strikes.

FIRM CHARACTERISTICS AND STRIKES

The likelihood of a factory strike varies with firm characteristics, including:

- ◆ **Firm ownership.** Factories with South Korean ownership had the highest strike rates, with 50% of firms experiencing at least one strike in the study period. Firms from Hong Kong had the second highest strike rate at 29%, followed by 25% of Vietnamese-owned firms. While the data suggest firm ownership matters, the reasons why it matters requires further investigation beyond this study.
- ◆ **Factory age.** Younger factories appear more likely to experience strikes than older factories. The average age of factories with a strike was 8.3 years versus a factory age of 9.6 years for factories that did not experience strikes.
- ◆ **Workforce size.** The average number of workers in factories with strikes was 1,866, while the average workforce size was 972 in factories with no strikes. Larger workforces may enable stronger worker identity, thereby encouraging collective action.
- ◆ **Duration in Better Work.** Strike incidence falls the longer a factory participates in the Better Work programme. This suggests more established and experienced PICCs – which usually result from longer Better Work membership – may play a role in reducing strikes. Approximately 26% of factories had strikes in their first two years of Better Work, while just 20% and 13% of factories in their third and fourth year of participation reported strikes, respectively.¹

PICC CHARACTERISTICS AND STRIKES

PICC quality varies among factories, although all have areas in which they can improve. The “quality” of a PICC in this research is determined by reviewing Better Work factory progress reports (written by Enterprise Advisors), which capture dynamics such as whether PICC meetings take place on a regular basis, whether workers have time to prepare for meetings and whether workers are freely elected to the PICC, among others.

Factories that had strikes in earlier years (2010-2011) were more likely to have better functioning PICCs in subsequent years (2012-2013). This suggests that strikes may have pushed PICC members, particularly management, to work harder to improve PICC functionality – for example, by meeting more regularly, giving workers a stronger voice, or deepening their commitment to building solutions through negotiation. At the same time, it was found that factories with

¹ Notably, the number of factories in the sample with three or four years of participation at the time of analysis is relatively small, due to the roll out of factory registration, which precludes strong conclusions.

more unresolved non-compliance issues were more likely to face repeated strikes.

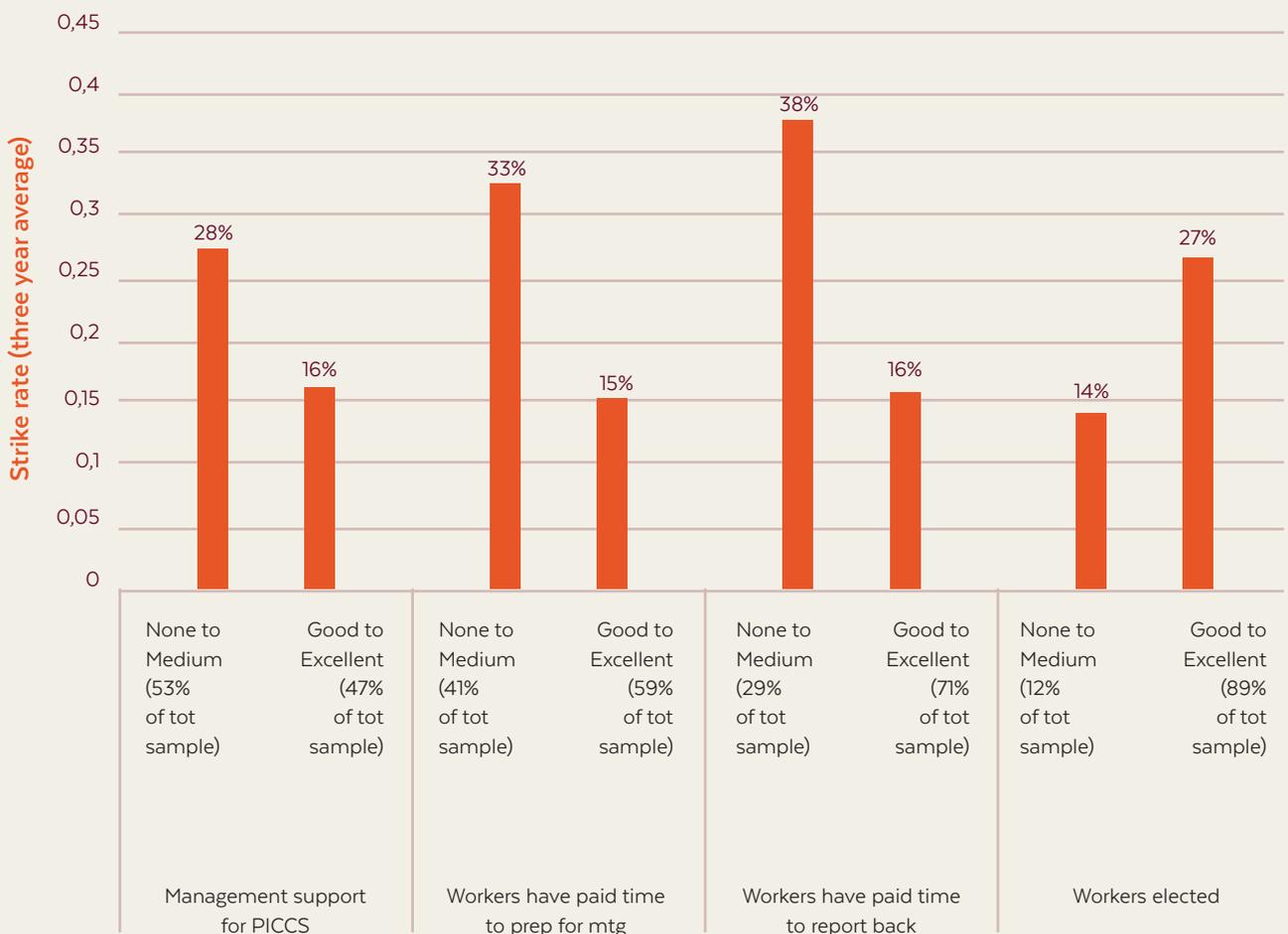
Figure 3 gives an indication of which aspects of PICC quality appear to influence the prevalence of strikes in Better Work factories:

- ◆ **Management attitude towards PICCs.** Where there is buy-in from management for the PICCs, strike rates are lower (28% vs 16%).
- ◆ **Adequate paid time for workers to prepare and report back to peers.** Strike rates are significant-

ly lower in factories where PICC members are enabled to prepare for and report back from the bipartite meetings.

- ◆ **Freely elected PICC members.** Perhaps counter-intuitively, strike rates are actually higher in factories where worker PICC representatives are freely elected to the body. One reason for this, however, is that workers too often lack faith in the election process, particularly in cases where the management has nominated worker side representatives for the PICC.

FIGURE 3: PICC QUALITY AND STRIKES



Furthermore, the data suggest fear of retaliation persists as concern for workers. Where workers did not feel safe expressing their views in a PICC meeting, grievances were more likely to surface in the form of strike action. The research suggests that constructive worker participation in PICC meetings may therefore reduce strikes. Even in factories where there were no strikes, however, one in five workers did not feel safe speaking up in meetings because they feared management reprisals.

The notion that PICC quality matters to achieve positive outcomes in terms of workplace relations

is supported by additional research conducted using large scale surveys of workers' perceptions.² For example, workers in factories where PICCs fully reflect the gender composition of the workforce tend to have lower reported instances of sexual harassment. Similarly, where workers are freely elected to PICCs (as determined by Better Work data), workers in those factories also report better relations with supervisors, better work-related health outcomes and improved working environments. These positive effects of PICCs identified are magnified in the presence of a collective bargaining agreement.

Conclusion

The research summarized here investigates the characteristics and drivers of an increase in strike activity in Vietnam in the early part of the current decade. The research uses data from Better Work to analyze how the establishment of bipartite worker-manager PICC committees interacts with and potentially affects the prevalence of worker strikes.

The analysis of Better Work data shows that strikes occurred in approximately one third of enrolled factories, and the vast majority of strikes are driven by interest rather than rights-based demands. PICCs are likely to indirectly lower the likelihood of worker strikes by creating a culture of communication and problem solving on rights-based issues that can eventually enable constructive bargaining over interests such as pay and conditions that go beyond the law.

The research further suggests that addressing current

and future strike waves in Vietnam ultimately requires improvements in autonomous union representation, more effective collective bargaining processes and supply chain business practices from international buyers that allow for stable jobs and decent working conditions.

The establishment and evolution of PICCs as a leading workplace dialogue mechanism can contribute constructively to this process in Vietnamese garment factories. By renewing efforts to strengthen PICC functions, including boosting worker representation through free elections and ensuring workers are protected and empowered in their role, together with efforts to support real collective bargaining and foster broader spillovers in terms of a "dialogue culture" between workers and employers, Better Work can play a key role in building the long term foundations for (more) stable employment relations, both in the garment industry and across the manufacturing sector in Vietnam.

For full results, see:

Anner, Mark (2017) "Can Participation Committees Reduce Strike Rates in Vietnam? The Need for a

Framework to Elect, Represent, Protect and Empower Workers", Better Work Discussion Paper No. 24

2 Brown, et al (2016) "The Impact of Better Work." Available from: sites.tufts.edu/laborlab

Better Work Research Briefs present a summary of the programme's research findings on particular topics.

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